

My wife and I subscribe to ATT Wireless. The monthly plan we chose was advertised at \$49.95. At the time we subscribed I asked if extra charges were added and I was told that they amounted to about 12%. At the beginning, from Jan. through July 2004, the monthly total for extra charges was stable and amounted to approximately \$7.30. These added charges were labeled by ATT as “taxes, surcharges and regulatory fees” and a “regulatory programs fee”. (These items are located in several lines on two or three pages of the monthly statement and present a confusing picture to say the least.) Thus a \$49.98 monthly phone bill increased to about \$57.25 after 14.5% in additional charges.

In August 2004, not even half way into our two-year agreement, these extra charges imposed by ATT went up dramatically. Three more “taxes” were now added to those identified above. These new “taxes” were labeled “Federal tax”, “Sales tax”, and “County 911 tax”. Thus the additional monthly fees have increased from approximately \$7.30 to \$15.39. My \$49.98 plan has now ballooned to \$65.40. These phony taxes now amount to 30.8%!

In fact NO new taxes whatsoever have been levied according to local and state government officials I talked to. ATT admitted this to me after two lengthy phone calls I made. They first told me to contact my state or local government, as they did not have such tax information. After I did so and called them again I was put on hold by two operators for well over a half hour while they, in my opinion, pretended to search for information hoping I would lose patience and hang up. Only after an hour on the phone did the second operator reluctantly concede what I already suspected; there were no new taxes. ATT simply and unilaterally raised my rates by pretending that there were new taxes. The \$49.98 base price remained constant of course because ATT could not increase this amount during the life of the contract. Why bother to increase the publicly advertised price when you can accomplish the same thing through the back door? And this door is quite wide. Consider the possible increases in local or state business personal property taxes, corporate income taxes, local real property taxes etc? If ATT’s business expands, admittedly a most unlikely scenario, will the increase in taxes that invariably accompanies a growing business be added to subscribers bills?

After this series of events I looked at the ATT “Service Agreement” found folded in the back pocket of the users guide. The Service Agreement provides as follows:

“Regulatory Program Fee. In addition to other charges you may also be assessed a Regulatory Programs Fee which is a monthly charge created, assessed, and collected by ATT to help defray our costs for compliance with various regulatory requirements.... In our discretion we may change the amount of [this] fee.  
Taxes, Surcharges, and Other Fees. We will determine in our reasonable discretion, the taxes and other assessments that you are responsible to pay and the amounts of such charges. “

I will not take time to further list the utterly one-sided nature of this agreement. I will only note that if monarchs and serfs had entered into written contracts in the Middle Ages, this would have been the model.

There are few if any situations in this country where a one party to a contract is bound to continue while the other unilaterally raises prices. The only one I can think of offhand is a variable rate mortgage. In that case however there are three major protections that are completely absent in the cell phone industry. The first is that the borrower can instead choose a fixed-rate mortgage, which is a widely available alternative. The second protection is that the increase in rate is tied to an independent event not controlled by either party. The third protection is that the interest rate change (it can after all go down) can only occur at fixed time intervals.

In the case of cell phone agreements however, ATT makes clear that it will increase its fees “in [its] reasonable discretion”, not tied to any independent event at all and at any time it chooses. Moreover, I know of no wireless phone provider which does not reserve for itself the ability to impose additional charges during the life of the contract. Verizon, A1 Wireless, Quest, and Sprint web sites make this clear.

In short, if you want a cell phone you must do business with companies that can and will raise their rates unilaterally during the life of the contract. There are no other options. The marketplace is failing badly here and regulation is urgently needed.